



AUDIT HIGHLIGHTS

Report 2004-05

OFFICE OF CITY AUDITOR – SEATTLE

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A copy of the Office of City Auditor's full report: *General Contractor/Construction Management (GC/CM) Form of Contracting: Issues and Recommendations* can be obtained at the Auditor's website at <http://seattle.gov/audit> or by calling (206) 233-3081.

GENERAL CONTRACTOR/CONSTRUCTION MANAGEMENT (GC/CM) FORM OF CONTRACTING: ISSUES AND RECOMMENDATIONS

WHY EXAMINE GC/CM CONTRACTING?

Our objective for this review is to identify and share effective practices in managing construction projects under the GC/CM method of contracting. The GC/CM method of contracting is a relatively new approach for the public sector in Washington State, and the City's experience with it is limited to several very high profile projects including the Central Library, the Justice Center, the City Hall, and Marion O. McCaw Hall. This review provided the opportunity for an analysis of various approaches and for discussion among the City's capital project leaders regarding these approaches. Our review resulted in recommendations to improve the City's management of future GC/CM projects.



Seattle's Central Library, shown at left, is an example of a construction project managed under the GC/CM contracting method.

Background

The GC/CM approach removes some of the constraints of the traditional low-bid process and provides considerable flexibility to public agencies in selecting a general contractor. It was first permitted by changes to State law begun in 1994, and its use is limited to complex projects

valued at more than \$10 million. Two major advantages of the GC/CM method are the flexibility to select the GC/CM based on qualifications and to negotiate the maximum allowable construction cost (MACC) rather than being bound to use the low bidder.

As part of this review we examined the contract terms and project management methods of the Justice Center Project, the Central Library, Park 90/5, the Landsburg Fish Passage, and Marion O. McCaw Hall; interviewed GC/CM project managers for the City, the State of Washington, and the University of Washington; reviewed the practices noted in the Oregon Public Contracting Coalition Guide to CM/GC Contracting and other federal and private sector industry guidelines; and encouraged discussion among the City's capital project leaders.

CITY AUDITOR'S RECOMMENDATIONS

We found the City of Seattle could refine management of GC/CM projects by:

- Using practices that protect the competitive process when the GC/CM bids to perform part of the subcontract work;
- Making strategic choices regarding the allocation of responsibility for project risks;
- Performing due diligence in reviewing project costs; and
- Communicating these and other matters very clearly in the contract documents.

To continue improving practices, we recommend that the City collect data on the outcome of various approaches, evaluate the outcomes, and feed that information back to all project managers for application to future projects.